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THE BEEF CATTLE SITUATION

Summary

The number of cattle fed this winter probably will be somewhat larger than the number fed last winter. A large part of the increase over a year earlier will be in the Western Corn Belt, where cattle feeding was sharply reduced from 1934 through 1937 because of drought reduced feed supplies. The increase in feeding reflects to a considerable extent the abundant supplies and low prices of feed this year.

Marketings of grain fed cattle are expected by the Bureau of Agricultural Economics to increase seasonally in the next several months, and the number of such cattle marketed in the first half of 1939 probably will be larger than a year earlier. On the other hand, marketings of the lower grades of slaughter cattle, including cows, probably will decrease seasonally in the first half of 1939, and they are likely to be smaller than those of a year earlier.

Some further improvement in consumer demand for meats may occur in the next few months. This will be an influence supporting prices of all kinds of cattle. Prices of the better grades of cattle, however, also will be affected by the expected seasonal increase in marketings of such cattle, while prices of the lower grades will be influenced by a seasonal reduction in marketings. Prices of the better grades of cattle usually decline in the first half of the year, but prices of the lower grades usually advance in this period.

Prices of the better grades of slaughter steers were about steady from late October through November, but weakened in early December. Prices of the lower grades of slaughter cattle and of stocker and feeder cattle strengthened during November. For the week ended December 10 average prices of the several grades of slaughter steers at Chicago were not greatly different from a year earlier, but the average price of stocker and feeder steers was somewhat higher.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND--. The trend in prices of the better grades of slaughter cattle has been upward since early February, following the marked decline in late 1937. Prices of lower grades of slaughter cattle and of stocker and feeder cattle declined moderately in late 1937, and then strengthened during the first half of this year. Since July prices of such cattle have been steady with some tendency to advance, whereas they usually decline during the last half of the year. The strength in prices of the lower grades of slaughter cattle and of stocker and feeder cattle in recent months reflects the smaller marketings of such cattle than a year earlier, and the strong demand for cattle for feeding and herd replacement.

Cattle prices steady in November

After some weakness in early October, prices of the better grades of slaughter cattle were about steady from late October through November. But in early December prices declined somewhat. Prices of the lower grades of slaughter cattle and of stocker and feeder cattle strengthened during November. For the week ended December 10, the average price of the various grades of slaughter steers at Chicago were not greatly different from those of a year earlier. But the weekly average price of stocker and feeder steers at Kansas City in early December was about \$1 per 100 pounds higher than in the corresponding week last year.

Prices this year compared with last have become increasing favorable in the past 2 months. This reflects the fact that prices of cattle generally have shown little or no tendency to weaken during the fall and early winter this year, whereas cattle prices generally declined considerably in the last quarter of 1937.

Marketings slightly smaller than in October

Cattle slaughter under Federal inspection in November, totaling 858,000 head was about the same as a year earlier, but it was a little smaller than in October. Cattle marketings did not increase seasonally in

October; for the second time on record inspected slaughter of cattle in October was smaller than in September. But the decrease in slaughter from October to November was somewhat less than usual. Calf slaughter in November was seasonally smaller than in October and also was smaller than in November last year.

The number of cattle slaughtered under Federal inspection in the first 11 months of 1938 was about 9,018,000 head, or nearly 200,000 head smaller in the corresponding period last year. But because of the heavier average weight of cattle, total beef production under Federal inspection this year has been slightly larger than last. All of the decrease in the number of cattle slaughtered thus far in 1938 has been in cows and heifers. In the first 10 months of the current year, inspected slaughter of cows and heifers was about 580,000 head smaller than a year earlier, while steer slaughter was about 400,000 head larger.

CATTLE FEEDING SITUATION

As indicated in the outlook for cattle for 1938, given in the November issue of The Beef Cattle Situation, the number of cattle fed in the 1938-39 feeding season will be larger than in the 1937-38 season. This increase in cattle feeding is a reflection of the large supplies of feed grains, hay and roughage and the relatively low feed prices. The demand for feeder cattle has been strong in recent months, and prices of such cattle advanced during the late summer and fall, whereas they usually decline at that time of the year.

Shipments of stocker and feeder cattle from stockyards markets into the Corn Belt States in November were the largest for the month in 7 years. For the 5 months, July through November, such shipments were 4 percent larger than a year earlier. Records of direct shipments, not going through stockyards markets, for a number of important feeding States indicate that the direct movement of feeder cattle in recent months has been larger than last year. On the basis of reports up to early December, it appears probable that as many or more cattle will be fed this year in all but 2 or 3 of the 11 Corn Belt States, with the largest percentage increase in the Corn Belt States west of the Mississippi River.

Reports from the Western States indicate that the number of cattle fed in that region will be considerably smaller than a year earlier, with the greatest decreases in Colorado and California, the two most important western feeding States. Feed supplies are generally abundant in the western region, but the relatively high prices of feeder cattle this fall and the unfavorable returns from last year's feeding operations have tended to hold down feeding. It also appears probable that the number of cattle fed in Texas and Oklahoma will be smaller this year than last.

Shipments of feeder cattle into the Lancaster feeding area of Pennsylvania and Maryland from July through November have been somewhat smaller than the large shipments into that area last year. The prospective decrease in cattle feeding in all areas outside the Corn Belt, however, will not be large enough to offset the expected increase in the Corn Belt.

Records of shipments of stocker and feeder cattle by classes from the four leading markets for the past 5 months show larger numbers this year than last of steers in all weight groups above 700 pounds. Decreases were reported in the number of steers under 700 pounds and in the number of feeder calves and cows and heifers.

CATTLE UNDER NEW TRADE AGREEMENT WITH CANADA

The new trade agreement recently concluded between the United States and Canada (effective January 1) provides changes in duties and quotas on imports of live cattle into this country. The provisions in the new agreement relating to cattle supersede the changes in duties and the quotas provided for in the agreement with Canada that was concluded in late 1935.

Under the new agreement imports into the United States from all countries of cattle weighing 700 pounds or over, including dairy cows, will be subject to a duty of 1-1/2 cents per pound. This reduced duty, however, is applicable to only 225,000 head in any calendar year. Under the 1935 agreement the duty on such cattle, not including dairy cows, was lowered from 3 cents to 2 cents per pound on imports, not exceeding 156,000 head. Under the provisions of the new agreement all cattle of weight specified imported in excess of 225,000 head in any calendar year will be subject to the statutory duty of 3 cents per pound.

The new agreement provides further that not more than 60,000 head of cattle weighing 700 pounds and over may be imported at the reduced duty (1-1/2 cents) in any single quarter of the year. Thus for this weight of cattle the new agreement makes three changes: (1) the duty is reduced (2) the quota is increased, and (3) imports under the new agreement will be subject to a quarterly quota.

For dairy cows weighing 700 pounds and over, the 1935 agreement provided for a reduction in the duty from 3 cents to 1-1/2 cents per pound for an annual quota not exceeding 20,000 head. This quota was never filled. Under the new agreement the duty on this class of cattle was not changed, but the separate quota restriction for dairy cows was removed.

For cattle (calves) weighing less than 175 pounds, the 1935 agreement provided for a reduction in the United States duty from 2-1/2 cents to 1-1/2 cents per pound. The reduced rate was applicable only to an import quota of 52,000 head. Under the new agreement this classification is changed from less than 175 pounds to less than 200 pounds, and the annual quota is increased to 100,000 head. The duty on this class of cattle entering under the quota continues to be 1-1/2 cents per pound.

The accompanying table shows the imports of the various classes of cattle from Canada and Mexico for the years 1936 and 1937 and for the first 10 months of 1938. It will be noted that total imports of cattle weighing 700 pounds and over exceeded the quota by about 3,000 head in 1936 and by about 26,000 head in 1937. Imports thus far in 1938, however, have been much less than the quota, and the total for the year will be considerably less. Imports of calves in 1936 and 1937 also were larger than the quota.

Imports of live cattle from all countries, Canada and Mexico,
1936 and 1937, and January-October 1937 and 1938

| Year and period | All countries | | | | | | Total |
|-----------------------|---------------|---------|------------------------|----------|----------|---------|-------|
| | Under | | : 700 pounds and over: | | | | |
| | 175 | 175-699 | For | Not for | For | | |
| | pounds | pounds | dairy | dairy | breeding | | |
| | 1/ | | purposes | purposes | | | |
| | | | 2/ | 3/ | | | |
| | Number | Number | Number | Number | Number | Number | |
| 1936 | 57,314 | 176,435 | 6,689 | 158,675 | 11,186 | 410,299 | |
| 1937 | 82,052 | 223,837 | 6,723 | 182,333 | 12,379 | 507,324 | |
| Jan.-Oct.- | | | | | | | |
| 1937 | 78,345 | 206,137 | 5,351 | 180,879 | 10,103 | 480,815 | |
| 1938 | 43,084 | 194,566 | 5,796 | 87,207 | 7,815 | 338,468 | |
| | Canada | | | | | | |
| | | | | | | | |
| 1936 | 55,695 | 35,149 | 6,686 | 136,533 | 10,346 | 244,409 | |
| 1937 | 80,792 | 50,355 | 6,723 | 157,468 | 11,351 | 306,689 | |
| Jan.-Oct.- | | | | | | | |
| 1937 | 77,085 | 45,641 | 5,351 | 156,238 | 9,075 | 293,390 | |
| 1938 | 41,150 | 6,260 | 5,792 | 50,832 | 7,366 | 111,400 | |
| | Mexico | | | | | | |
| | | | | | | | |
| 1936 | 1,615 | 140,439 | --- | 21,992 | 684 | 164,730 | |
| 1937 | 1,259 | 172,717 | --- | 24,792 | 692 | 199,460 | |
| Jan.-Oct.- | | | | | | | |
| 1937 | 1,259 | 159,758 | --- | 24,568 | 692 | 186,277 | |
| 1938 | 1,933 | 187,663 | --- | 36,329 | 281 | 226,206 | |

United States Department of Commerce.

1/ Duty reduced by 1935 Trade Agreement with Canada for an annual quota of 52,000 head.

2/ Duty reduced by 1935 Trade Agreement with Canada for an annual quota of 20,000 head.

3/ Duty reduced by 1935 Trade Agreement with Canada for an annual quota of 156,000 head.

OUTLOOK

The most important points given in the report on Outlook for Beef Cattle for 1939 released by the Bureau of Agricultural Economics in early November were as follows:

- ✓ 1. Slaughter of both cattle and calves in 1939 is expected to be smaller than in 1938. The reduction will be mostly in calves and breeding stock as steer slaughter probably will show little change.
- ✓ 2. Marketings of grain-fed cattle in 1939 will be larger than in 1938.
- ✓ 3. Average weights of cattle slaughtered are expected to be heavier in 1939, but total beef supplies probably will be somewhat smaller.

4. Consumer demand for meats is expected to be somewhat stronger than in 1938, reflecting the prospective increase in industrial activity and consumer buying power.
5. The improvement in consumer demand and the reduction in cattle slaughter will be price-strengthening factors; larger supplies of hogs and of all meats will be price-depressing factors.
6. With somewhat larger market supplies of grain-fed cattle and smaller marketings of cows and heifers, the spread between prices of the upper and lower grades of slaughter cattle probably will continue relatively narrow.
7. Cattle numbers at the beginning of 1939 are expected to be slightly larger than a year earlier. This increase in numbers probably will continue for several years, barring the recurrence of severe droughts. The expansion in numbers in the next few years will be accomplished largely by holding cattle from slaughter. Consequently, a decrease in cattle slaughter from present levels is expected for the next 2 or 3 years. But the trend in hog slaughter and in total meat supplies probably will be upward in this period.

Developments in the cattle situation since early November have not been such as to change materially the prospects indicated in the foregoing summary of the outlook report on beef cattle.

Marketings of grain-fed cattle probably will increase seasonally in the first half of 1939, and with increased feeding the number marketed is expected to be larger than a year earlier. In view of the relatively large proportion of heavy feeders in the total feeder shipments in recent months, the increase in marketings of fed cattle from present levels may be fairly large in the next 4 or 5 months.

Marketings of the lower grades of slaughter cattle, including cows, probably will decrease seasonally in the next few months. And total marketings of such cattle are likely to be smaller than a year earlier.

Consumer demand for meats has strengthened considerably since mid-summer, following the increase in industrial activity and incomes of consumers. It is probable that consumer demand for meats in the early months of 1939 will be well maintained, with some further improvement not unlikely. This is in marked contrast to the situation in the early months of 1938 when considerable weakness in consumer demand prevailed.

The improvement in demand will be an influence supporting prices of all kinds of cattle in the first half of next year. Prices of the better grades of slaughter cattle in this period, however, will also be affected by the seasonal increase in marketings of such cattle, while prices of the lower grades will be influenced by a reduction in marketings. The usual trend in prices of the better grades of cattle in the first half of the year is downward, but prices of the lower grades usually advance in this period.

Price per 100 pounds of cattle and calves, November 1938,
with comparisons

| Item | : Nov. : average : 1924-33 | : Nov. : 1936 | : Nov. : 1937 | : Sept. : 1938 | : Oct. : 1938 | : Nov. : 1938 : 1/ |
|---|----------------------------------|------------------|------------------|-------------------|------------------|--------------------------|
| | : Dollars | : Dollars | : Dollars | : Dollars | : Dollars | : Dollars |
| Beef steers sold out of first: hands at Chicago: | | | | | | |
| Choice and Prime..... | 12.18 | 11.41 | 15.63 | 11.78 | 11.93 | 11.83 |
| Good..... | 10.62 | 9.95 | 11.42 | 10.03 | 10.01 | 9.99 |
| Medium..... | 8.77 | 8.38 | 8.67 | 8.19 | 8.10 | 8.30 |
| Common..... | 7.05 | 6.66 | 7.05 | 6.58 | 6.57 | 6.96 |
| All grades..... | 9.94 | 10.31 | 10.65 | 10.42 | 10.33 | 10.03 |
| Cows, Chicago:... | | | | | | |
| Good..... | 2/ 6.35 | 6.10 | 6.83 | 6.68 | 6.82 | 6.76 |
| Low cutter and cutter... | 3/ 3.72 | 3.80 | 4.17 | 4.49 | 4.55 | 4.42 |
| Vealers, Chicago: | | | | | | |
| Good and Choice..... | 9.87 | 8.91 | 10.14 | 10.28 | 10.48 | 9.93 |
| Stocker and feeder steers, Kansas City: | | | | | | |
| 500 - 800 pounds, | | | | | | |
| Good and Choice..... | 4/ | 6.37 | 7.36 | 7.92 | 7.98 | 8.20 |
| 800 - 1050 pounds, | | | | | | |
| Good and Choice..... | 4/ | 6.72 | 7.55 | 7.78 | 7.73 | 8.00 |
| Average price paid by packers: | | | | | | |
| Cattle..... | 6.66 | 5.87 | 6.34 | 7.03 | 6.95 | |
| Calves..... | 7.84 | 6.10 | 7.18 | 7.90 | 7.80 | |
| Average wholesale price of packer hides, Chicago: 5/ | | | | | | |
| Heavy native steers.... | 14.82 | 15.25 | 15.00 | 12.12 | 13.75 | 13.85 |
| Light native cows..... | 13.09 | 12.94 | 11.12 | 11.09 | 12.88 | 12.70 |

1/ Prices at Chicago based on a limited number of sales because of stockyards strike.

2/ Good and Choice, 1924-27.

3/ Canner and Cutter, 1924 - June 1926.

4/ Not available.

5/ 1924-37, from annual reports of the Chicago Board of Trade; 1938 from the National Provisioner, simple average of weekly quotations.

Slaughter and market supplies of cattle and calves, specified periods

| Item | Unit | Year | | Month | | |
|--------------------------------------|---------|----------|--------|-----------|------------|-----------|
| | | Average: | 1937 | Nov. 1937 | Oct. 1938 | Nov. 1938 |
| | | 1924-33: | | | | |
| Slaughter under Federal inspection: | | | | | | |
| Number slaughtered: <u>1/</u> | Thou- | | | | | |
| Cattle | sands | 8,850 | 10,070 | 856 | 884 | 858 |
| Calves | do. | 4,819 | 6,281 | 468 | 470 | 457 |
| Beef steers sold out of first hands: | | | | | | |
| at Chicago: | | | | | | |
| Choice and Prime | do. | 159 | 133 | 5 | 22 | 11 |
| Good | do. | 471 | 343 | 29 | 41 | 31 |
| Medium | do. | 416 | 190 | 16 | 10 | 11 |
| Common | do. | 105 | 61 | 7 | 2 | 1 |
| All grades <u>2/</u> | do. | 1,151 | 727 | 57 | 74 | 54 |
| Receipts of cattle at seven | | | | | | |
| markets <u>3/</u> | do. | 4/8,044 | 7,691 | 760 | 799 | 611 |
| | | | | | | |
| | | Year | | Month | | |
| | | Average: | 1937 | Oct. 1937 | Sept. 1938 | Oct. 1938 |
| | | 1924-33: | | | | |
| Slaughter under Federal inspection: | | | | | | |
| Number slaughtered: | Thou- | | | | | |
| Cows and heifers | sands | 4,181 | 5,626 | 630 | 477 | 481 |
| Steers | do. | 4,340 | 4,037 | 292 | 596 | 364 |
| Average live weight: | | | | | | |
| Cattle | Pound: | 953 | 899 | 392 | 916 | 915 |
| Calves | do. | 176 | 189 | 214 | 215 | 211 |
| Average dressed weight: | | | | | | |
| Cattle | do. | 516 | 470 | 449 | 486 | 482 |
| Calves | do. | 101 | 108 | 118 | 118 | 116 |
| Total dressed weight: | | | | | | |
| Cattle | Mil.lb: | 4,532 | 4,699 | 427 | 443 | 423 |
| Calves | do. | 487 | 675 | 62 | 53 | 54 |
| Stocker and feeder shipments from | | | | | | |
| public stockyards: <u>5/</u> | Thou- | | | | | |
| Cattle | sands | 3,073 | 2,893 | 497 | 400 | 478 |
| Calves | do. | 365 | 578 | 98 | 69 | 119 |
| Imports: | | | | | | |
| Cattle <u>6/</u> | do. | 253 | 507 | 34 | 18 | 36 |
| Canned beef <u>7/</u> | Mil.lb: | 8/ 36 | 88 | 7 | 6 | 7 |

1/ Bureau of Animal Industry. 2/ Totals of unrounded numbers.

3/ Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City and St. Paul. 4/ Average 1929-33. 5/ Approximately 62 public stockyards prior to 1936, when the number was increased to 69. 6/ United States Department of Commerce. General imports prior to 1934, beginning January 1, 1934, imports for consumption. 7/ United States Department of Commerce. Imports for consumption. 8/ Figures include "other canned meats" prior to 1929.

